



The President's Daily Brief

20 October 1973

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

20 October 1973

PRINCIPAL DEVELOPMENTS

The reinforced Israeli task force on the west bank of the canal made large gains yesterday before it met stiffening resistance late in the day. Both sides describe the fighting as intense, and Egypt has pulled some forces back from the east bank to counter the threat. Fighting was also heavy on the Syrian front yesterday, but there was no important change. The Soviet resupply effort, meanwhile, reached a new high yesterday. (Page 1)

A new rail line being built northeast of Peking will increase Chinese ability to respond to Soviet military threats. (Page 2)

Phnom Penh now seems assured of basic rice supplies until US deliveries begin in December. (Page 3)

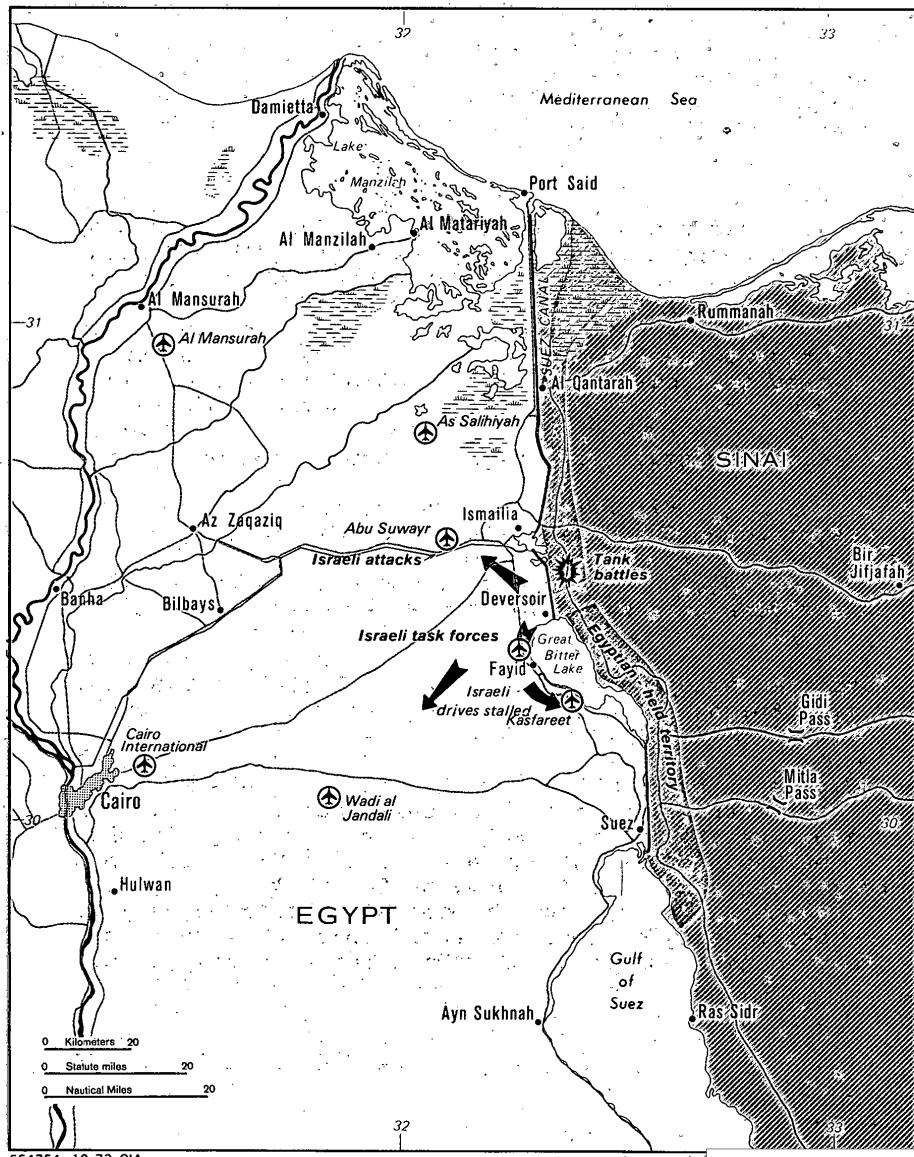
Prince Sihanouk's prospects for securing Cambodia's seat in the UN are improving. (Page 4)

Chile's economic recovery plans are taking shape. (Page 5)

Latin American foreign ministers plan to meet next month to develop an agenda for talks with Secretary Kissinger early next year. (Page 6)

Notes on Japan's shrinking trade surplus, Chinese interest in US oil technology, and West German - Soviet contracts for uranium enrichment appear on Page 7.

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Suez Canal Zone

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ARAB STATES - ISRAEL

The reinforced Israeli task force on the west bank of the canal made large gains yesterday before it met stiffening resistance late in the day. Both sides describe the fighting as intense, and Egypt pulled back some forces from the east bank in an effort to counter the attacks. The Israelis claim they have destroyed ten SAM sites on the west bank.

The Israeli force on the west bank now consists of over 300 tanks, as well as mechanized infantry and paratrooper units. It launched attacks in three directions yesterday. One column moved north toward Ismailia, a second pushed to the southwest edge of the Great Bitter Lake, and the third column attacked southwest toward the Cairo-Suez highway and railroad in an attempt to block the movement of Egyptian supplies to the front. By late evening, however, an Israeli military spokesman said the drives south toward Suez City and southwest were both stalled.

Fighting was also heavy yesterday on the Syrian front. The Jordanian brigade and Iraqi units apparently made some gains along the southern edge of the Israeli salient, but the Israelis are believed to have won some territory at the center of the salient.

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The Soviet airlift reached a new high yesterday, both in terms of numbers of flights and the tonnage delivered.

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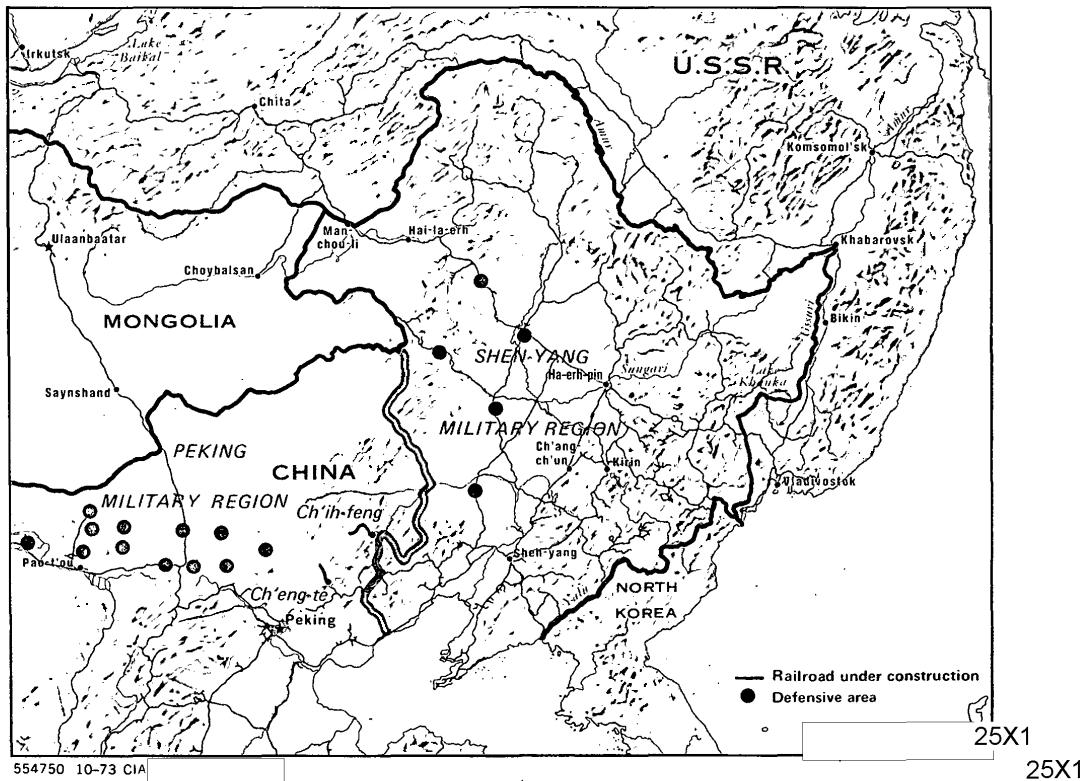
Six Soviet ships, including two combatants--guided missile destroyers--passed through the Bosphorus yesterday. This brings the total number of Soviet surface combatants in the Mediterranean to 29.

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New Rail Construction in China



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CHINA

A new rail line now under construction northeast of Peking will increase Chinese ability to respond to military threats from the Soviet Union.

[redacted] about 30 miles of new rail line construction extending northwest from the city of Cheng-te. Some 30 miles of preliminary work also appear from Chih-feng toward the west. The two cities apparently will be linked.

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The new rail line will provide some local economic benefits, but the pace and location of the construction suggest that its primary function will be rapid deployment of troops to the southern portion of the Shen-yang military region. Since May, elements of three of China's 15 railway engineer divisions have been moved from other areas of China to work on the line.

During the past two years the Chinese have been building defensive positions along the major road and rail lines from the Soviet and Mongolian borders. None has been observed, however, in the Chih-feng area where several roads from the north converge and offer access to Peking. A breakthrough at Chih-feng by Soviet forces could isolate Chinese forces stationed in the Shen-yang region.

Elements of China's 24th Army moved south of Cheng-te in late 1971. The new rail line will permit deployment of these and other Chinese forces in the Peking military region against such a threat.

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CAMBODIA

South Vietnam has agreed to supply 5,000 tons of rice to Cambodia, beginning with 1,800 tons today and a similar amount on Monday. These two deliveries amount to about one week's supply. Phnom Penh had been down to about six or seven days.

The US Embassy reports that firm contracts for additional rice deliveries now amount to 33,900 tons: Thailand (12,500 tons); South Korea (20,000 tons); and South Vietnam (1,400 tons). Regular delivery of the Thai rice is planned to begin next week, and South Korean shipments are tentatively scheduled to commence on November 2. These contracts represent some two months' supply at current consumption rates.

Phnom Penh now seems assured of basic rice supplies until US PL-480 deliveries begin in December--provided there are no hitches in shipping plans. Negotiations for 5,000 tons from Japan and a second allotment of 12,500 tons from Thailand have not yet been finally worked out. If these are also forthcoming, Cambodia may even be able to build up a small reserve cushion.

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UN-CAMBODIA

Prince Sihanouk's prospects are improving in the UN. The most recent estimates show that the nonaligned states and China will have sufficient votes to seat Sihanouk's delegation, provided Soviet support continues.

A working group of the Asian states supporting the Lon Nol government (Thailand, Philippines, Singapore, Indonesia, Japan, and New Zealand) believes that the pro-Sihanouk resolution now has a 15-vote margin of victory. The group is considering a move to have the Cambodian issue declared an "important question," which would require Sihanouk's supporters to muster a two-thirds vote to seat his delegation. It is unlikely, however, that the General Assembly president will so rule.

General Assembly debate on seating the Sihanouk delegation has not yet been scheduled, but the working group hopes to delay it until late in the session in order to allow maximum opportunities for lobbying.

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CHILE

The military junta apparently has settled on its plans for economic recovery and the restoration of foreign investor confidence.

The program is designed to promote a market economy, decentralize public enterprises, and reduce the government's role in the economy. It will not be generally popular, and the effects will be felt by all economic sectors. The US Embassy reports that civilian advisers to the military regime are optimistic that economic dislocations can be overcome but admit that it will take some years before meaningful results will be apparent to the general public. Meanwhile, the inflationary trend will continue, and this year's rate could go as high as 600 percent.

In an effort to stimulate agricultural recovery, the government has decreed massive price increases on many basic commodities. In order to reduce the impact on lower income groups, it has decided on new wage policies that will mainly benefit these groups. The rationale for maintaining the incomes of the poor is, in part, to gain support among those who have been the main source of leftist strength.

In an effort to renew investor confidence, Economy Minister Fernando Leniz has announced that the junta plans to return to private ownership as many as 200 small firms illegally seized by the Allende government. Leniz stated, however, that the returns would be accompanied by agreements reserving some rights to the state in order to safeguard "general interests."

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LATIN AMERICA - US

Colombian Foreign Minister Vasquez has invited his Latin American counterparts, excluding Cuba's Raul Roa, to meet in Bogota on November 14-16 to exchange views on relations with the US. The immediate purpose of the meeting, as Vasquez sees it, is to formulate an agenda for talks with Secretary Kissinger early next year. Vasquez also hopes that the meeting will lead eventually to the development of a purely Latin American consultative mechanism outside of the OAS.

A number of foreign ministers have already indicated they will attend, and the meeting seems certain to take place. The delegates will face a monumental task in putting aside their own national interests and agreeing upon a common approach to Latin American problems.

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NOTES

Japan: The trade surplus is continuing to shrink. In September, imports were about 60 percent higher than last September, but exports were up only about 25 percent. Japan's trade surplus with the US is declining at a particularly rapid rate. So far this year, imports from the US have grown by almost 60 percent, while exports have increased by only 7 percent. The trade surplus with the US for the first three quarters of 1973 has been reduced to less than half of that of the same period last year.

China-US: Three US equipment firms have been invited to China for follow-up discussions about sales of oil recovery technology and drill bits. Several other US oil firms have been invited to attend the Canton Fair. Peking's purchases of oilfield equipment in the past have been restricted largely to Romania and Japan. Recent currency revaluations, however, have made US goods more competitive.

USSR - West Germany: Three West German utilities have signed uranium enrichment service contracts--valued at \$44 million--with the Soviet Union.

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